

BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COLUMBIA, SOUTH CAROLINA

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DOCKET NO. 2011-8-E:

Progress Energy Carolinas, Inc. - 2011 Integrated Resource Plan

DOCKET NO. 2011-10-E:

Duke Energy Carolinas, LLC - 2011 Integrated Resource Plan

ALLOWABLE EX PARTE BRIEFING

*REQUESTED BY SOUTHERN ALLIANCE FOR CLEAN ENERGY, SOUTH CAROLINA
COASTAL CONSERVATION LEAGUE, AND UPSTATE FOREVER - Progress
Energy Carolinas, Inc.'s and Duke Energy Carolinas, LLC's
2011 Integrated Resource Plans*

**TRANSCRIPT OF
PROCEEDINGS**

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Please note the following inclusion(s)/attachment(s) to the record:

- PowerPoint presentation (PDF)

Please also note references to:

- 2011 Duke Integrated Resource Plan (Public Version) and Comments re Duke IRP submitted by SACE, SCCCL, and UL filed in Docket 2011-10-E
- 2011 Progress Integrated Resource Plan and Comments re Progress IRP submitted by SACE and SCCCL filed in Docket 2011-8-E

P R O C E E D I N G S

CHAIRMAN HOWARD: We'll call this briefing to order, and I'll ask Attorney Melchers to read the docket.

MR. MELCHERS: Mr. Chairman, Commissioners, we're here pursuant to a Notice of Request for Allowable Ex Parte Briefing requested by the South Carolina Coastal Conservation League, Southern Alliance for Clean Energy, and Upstate Forever.

This briefing was rescheduled for today, Wednesday, December 21st, in the Commission's hearing room at 10:30. The subject matter to be discussed at the briefing is: Progress Energy Carolinas, Inc.'s and Duke Energy Carolinas, LLC's 2011 Integrated Resource Plans. The associated Commission Docket Numbers are 2011-8-E and 2011-10-E.

Thank you, Mr. Chairman.

CHAIRMAN HOWARD: Thank you, Mr. Melchers. And who represents the Southern Alliance for Clean Energy, South Carolina Coastal Conservation League, and Upstate Forever?

MR. HOLMAN: Commissioner Howard, members of the Commission, Blain Holman here for the Intervenor.

1 **CHAIRMAN HOWARD:** Mr. Holman, glad to have you
2 with us.

3 **MR. HOLMAN:** Glad to be here. Thank you.

4 **CHAIRMAN HOWARD:** Office of Regulatory Staff?

5 **MS. HUDSON:** Good morning, Mr. Chairman, Vice
6 Chairman, members of the Commission, Mr. Melchers.
7 My name is Shannon Hudson, and with me is a
8 Courtney Edwards. We're here on behalf of the
9 South Carolina Office of Regulatory Staff.

10 **CHAIRMAN HOWARD:** Thank you, very much. Mr.
11 Holman?

12 [Reference: PowerPoint Slide 1]

13 **MR. HOLMAN:** Thank you, Commissioner Howard.
14 I'm here, as was said, on behalf of the Southern
15 Alliance for Clean Energy, Coastal Conservation
16 League, and Upstate Forever, and we appreciate the
17 opportunity to be with you today. I understand
18 that this is the last hearing in a line of many
19 hearings, and we're also before lunch, so I think
20 we've got our work cut out for us to make this
21 entertaining and informative, and I think you'll
22 find it will be both.

23 With me is John Wilson, who is the director of
24 research for the Southern Alliance for Clean
25 Energy. You've heard from Mr. Wilson before. He

1 got his undergraduate degree at Rice University in
2 Texas, and I believe it's in Physics and in
3 History. And then he went on to a school in
4 Cambridge, Massachusetts, to get his Public Policy
5 degree and he's been focusing on environment and
6 energy issues for the last 20 years. He's been
7 working in five different states across the
8 Southeast, and I think you're going to find what he
9 has to say very informative today, about these
10 IRPs. And without further ado, I'll turn it over
11 to him.

12 **CHAIRMAN HOWARD:** Good to have you with us,
13 Mr. Wilson.

14 **MR. WILSON:** Thank you, Chairman Howard. And
15 Commissioners, Mr. Melchers, it's a pleasure to
16 speak with you again. And I assume this is your
17 pleasure, that I speak from right here?

18 **CHAIRMAN HOWARD:** Yes.

19 **MR. WILSON:** Thank you.

20 [Reference: PowerPoint Slide 2]

21 This morning, I want to talk to you a little
22 bit about the Progress and Duke Integrated Resource
23 Plans. And just to sort of start off our framework
24 from the position of what these plans are about and
25 what we're trying to accomplish here, you know, we

1 understand very clearly that the purpose of an
2 Integrated Resource Plan is to meet the electric
3 service needs of South Carolina's electric
4 customers, and really the systems of both utilities
5 across two states in a reliable and economic
6 manner.

7 And we believe that an IRP should identify and
8 consider a range of energy resource alternatives
9 and also to consider all those resources on an
10 equal basis, whether those resources are power
11 plants, or whether those resources are
12 opportunities for energy efficiency or other
13 resources that are located at the customer's site.

14 [Reference: PowerPoint Slide 3]

15 So what I want to speak with you today about,
16 you know, obviously, the Duke and Progress resource
17 plans are among the most analytically based and
18 detailed resource plans across the Southeast.
19 Nevertheless, there are several things that we see
20 in these plans that are not dealt with. These are
21 all questions that I think are dealt with by
22 utilities across the country -- not necessarily
23 every utility in every resource plan, but certainly
24 many of them.

25 If you were to ask what are the benefits of

1 doing more energy efficiency than are included in
2 the resource plans, Duke Energy had some data on
3 that but it's not analyzed and presented in the way
4 that I'll cover it today, and Progress doesn't look
5 at any higher levels of energy efficiency than is
6 in their base case.

7 If you were to ask what the optimal level of
8 the energy efficiency resource is, there's no
9 analysis to support that, that is equivalent to the
10 analysis on the supply side.

11 If you were to ask about the ancillary
12 benefits of renewable energy, that's not an issue
13 that either resource plan considers.

14 If you were to ask about the economics of the
15 scrubbed coal units in these resource plans, that's
16 not something that the utilities are currently
17 presenting to you alternatives on.

18 And if you were to look at the implications of
19 cost escalation and uncertainty for nuclear power
20 plants, those are also questions that are not
21 effectively asked in either resource plan.

22 And finally, when you're looking at the
23 economic impacts of resource alternatives, that's
24 something that we don't see being dealt with in the
25 resource plans.

1 So I'm going to focus on these things. I do
2 want to acknowledge that there's a lot of useful
3 and very good analysis in these plans, but of
4 course it's a little bit more interesting I think
5 to focus on the areas where we've got some
6 suggestions for the utilities as to how they could
7 improve their practices.

8 So I'm going to start off by looking at the
9 energy efficiency analysis.

10 [Reference: PowerPoint Slide 4]

11 And what I wanted to do first is sort of put
12 in perspective the scale of these resource plans.
13 And if you look there, what I've done is I've
14 compared the Duke and the Progress IRPs down there
15 on the bottom right, and also for your reference
16 here in South Carolina I've added the SCE&G IRP
17 projections.

18 And that is the amount of energy savings
19 projected cumulatively through 2025 of the resource
20 plans, compared to their retail sales. And I've
21 compared that to a "Top 10" state analysis. That's
22 the #10 state in the country, annual savings
23 estimates, extrapolated out through 2025. So just
24 for your reference, that's what some of the leaders
25 in the country are accomplishing.

1 And you'll see there a couple of other lines.
2 One of them is the Duke High DSM, and that refers
3 to Duke's case where they analyzed a more
4 aggressive level of energy efficiency and demand-
5 side -- generally, demand-side resources, including
6 load management and other resources. So I'm going
7 to be talking a lot about that case. And you can
8 see there that results in much higher levels of
9 energy savings than the case that's included in
10 their optimal plan in the resource plan. And then
11 you can also see there the impact of if -- of the
12 merger settlement agreement, which you may be aware
13 of that we've reached with -- that some of our
14 organizations have reached with Duke and Progress
15 in the merger docket in front of you, and that
16 explains, or that sort of illustrates the potential
17 impacts of that settlement agreement on the energy
18 efficiency plans. So that sort of hopefully puts
19 all this in perspective.

20 [Reference: PowerPoint Slide 5]

21 So what I'd like to start with is to sort of
22 lay out for you what are the implications of these
23 levels of energy efficiency. And I want to start
24 out by just sort of pointing out that the Duke case
25 -- Duke, of course, is the only one of the two

1 utilities that analyzes a higher level of energy
2 efficiency. Based on the data in that plan, it
3 results in a lower revenue requirement, lower
4 rates, and lower risks for customers. And I'm
5 going to talk through each of these points.

6 [Reference: PowerPoint Slide 6]

7 So first, looking at this High DSM case,
8 energy efficiency reduces system costs. And you
9 can see there, this is the total revenue
10 requirement over the life of the plan for -- under
11 a wide range of scenarios that Duke analyzed for
12 their resource plan. And you can see there the
13 base case on the top, and then the bottom is the
14 high case with the more aggressive level of DSM,
15 and that corresponds to that line I showed you in
16 the graph earlier. And you can see that the total
17 revenue requirement associated with all of the High
18 DSM cases is about \$5½ billion, or more, less than
19 the corresponding plan with the lower level of
20 efficiency. So this is a lower-cost resource if it
21 can be implemented and delivered to the customers.

22 [Reference: PowerPoint Slide 7]

23 Second thing I want to point out is the rate
24 impacts of these plans. And this is something that
25 often comes up in the Southeast as a perception,

1 that, "Sure, energy efficiency is cheaper, but it's
2 going to result in higher rates and it's going to
3 basically be a problem for people who are already
4 efficient," for example. And this is simply also
5 not supported by a careful looking-at-the-data. In
6 this case, I've compared two of the plans that you
7 just saw in that previous graph, and you can see
8 the cost there for each of the plans, and then the
9 cost per year, and then the average retail sales,
10 and that equates out to a couple of rates. Now
11 this is a comparative analysis; there's other
12 elements to rates that are here. Obviously, Duke
13 is not forecasting that its electric rates are
14 going to drop to 2.7 cents a kilowatt-hour. I'm
15 sure the Commission would love to see that. But
16 this is for the costs that are analyzed in the
17 resource plan. So, you can see the difference
18 between the two plans; that is a relevant figure.
19 And you can see that, in this case, it leads to a
20 small reduction -- fairly small reduction -- in
21 rates, over time.

22 And that, I think, should be considered pretty
23 good news. Now, exactly how that gets delivered
24 and that sort of thing is a complex program-
25 development question. But this is the kind of

1 analysis that we see done all across the country,
2 and the lesson from utilities in many, many states
3 that do these kind of analyses is that energy
4 efficiency tends to hold rates flat or potentially
5 drive them downward, and I think that's the message
6 you should take away from that, not the exact
7 numbers here, because those are subject to a lot of
8 assumptions and forecasting analysis.

9 [Reference: PowerPoint Slide 8]

10 Third point here is that energy efficiency
11 helps reduce price risk for customers. And for --
12 so, when you look at situations where prices go up
13 -- for instance, natural gas prices exceed the
14 base-case forecast, or CO₂ prices exceed forecasts
15 -- the question is, what's that going to do to the
16 rates? And it turns out that, when you look at the
17 same plans under these more extreme scenarios of
18 cost, that the energy-efficiency-heavy plans, the
19 High DSM case with more energy efficiency, saves
20 customers an additional \$1-\$2 billion over the
21 savings that they already offer. And that's a
22 pretty substantial amount when you compare it to,
23 for example, the cost savings that some of the
24 supply-side alternatives offer when they are
25 compared to each other. So if you compare gas to

1 nuclear and you say, "What happens when gas prices
2 go up," the cost savings associated with the
3 nuclear option over the gas option in a higher-gas-
4 price environment are smaller than these cost
5 savings. And that makes sense, because there's no
6 cost associated with energy efficiency; once it's
7 delivered, the cost saving is right there.

8 The other thing that's worth pointing out here
9 is that, you know, certainly one of the risks and
10 one of the reasons I think that utilities are a
11 little bit concerned about relying heavily on
12 energy efficiency, is that they're concerned that,
13 "Sure, all these projections are nice, but maybe
14 customers are not going to buy into these energy
15 efficiency programs, and they're going to be a lot
16 more expensive to deliver." And, you know, that is
17 a legitimate risk, just as it is with a nuclear
18 power plant or any other energy resource, that you
19 project a certain cost, and when you actually go
20 out and try to build that resource -- whether it's
21 a power plant or an energy efficiency power plant
22 -- that the costs are going to be higher than you
23 expect. And the question is, what is that risk?

24 Unfortunately, that's not directly analyzed in
25 the Duke plan, but through kind of doing some

1 comparative benchmarking of the costs within it, I
2 can tell you that the program cost risk of
3 efficiency is substantially lower than the program
4 cost risk associated with a nuclear power plant.
5 So for example, if you go back to this chart --

6 [Reference: PowerPoint Slide 6]

7 -- and you imagine a scenario where you take
8 the base-case -- excuse me -- the high-case DSM,
9 and you say, "What if the costs were double what we
10 expect they would be here," that would still not
11 increase the costs nearly as much as a 25 or 50
12 percent increase in nuclear power plant costs, and
13 that's just simply because the relative costs of
14 nuclear power, of building a gas-fired power plant,
15 are much higher than the costs associated or
16 forecast to be associated with building an energy
17 efficiency power plant.

18 [Reference: PowerPoint Slide 9]

19 So, that's sort of a quick summary of kind of
20 the benefits of energy efficiency and how they play
21 out in that resource plan. What I'd like to turn
22 to now is some specific concerns that we have with
23 the Duke efficiency resource, as it's laid out in
24 the plan.

25 First of all, a big compliment for Duke

1 Energy: Their actual impacts in 2010, as you see
2 there, were much higher than they had forecast in
3 their resource plan. They had forecast around
4 about 125 gigawatt-hours, and you can see the well
5 over 500 gigawatt-hours in annual impacts. And
6 those are savings that will continue for years to
7 come. So that's a really impressive achievement by
8 Duke Energy.

9 However, in this plan, in this 2011 IRP, they
10 revised their forecast for energy efficiency -- and
11 primarily in the near term -- and it was an 11
12 percent reduction in energy efficiency. It's not
13 clear to me whether this result reflects some
14 change in their forecasting methods, or their
15 program plans. I've spoken to some staff at Duke
16 Energy, but it's still, frankly, a little confusing
17 to me as to what this reflects. And, you know, I
18 would just say that these kind of changes, I don't
19 consider this to be reflective of sort of the best
20 practices in program management and planning. You
21 don't see these kind of changes in near-term
22 forecasts from other utilities, unless there's a
23 really clear cause-and-effect, and I don't,
24 frankly, understand what that is.

25 The other thing we've continued to be

1 concerned about is that Duke continues to have
2 fairly low efficiency impacts past 2021. And you
3 can see that here: They do have at least some
4 impacts now past 2021, whereas in the 2010 IRP they
5 didn't have any. So they've sort of put some
6 efficiency in that period, and that's an
7 improvement, but it's certainly not reflective of
8 best practices, as we see it.

9 [Reference: PowerPoint Slide 10]

10 So, for example, here's a nice example from
11 *PacifiCorp's* 2008 Integrated Resource Plan, and you
12 can see there that they continue to grow the
13 efficiency resource through 2030. And the question
14 is, you know, why wouldn't you have that in there?
15 And a pretty good explanation for that is that, I
16 think, the staff -- at least, my impression is --
17 the staff at Duke Energy are concerned that the
18 programs just might not be there, that there might
19 not be technologies, that there might not be
20 opportunities available in that decade. They don't
21 -- at least, they don't know what they are, they
22 don't know what they'll be. And I think that's not
23 reflective of the best approach that many utilities
24 across the country are doing, which is to say,
25 "Sure, we don't know exactly what technologies

1 we're going to be implementing in 2025, 2026. But
2 we know from 20 years of program experience all
3 across the country that new technologies do come
4 up; that even after the first lighting retrofit,
5 you can go back into a facility 10 or 15 years
6 later, and do another cost-effective lighting
7 retrofit right back on top of the first one," or
8 whatever the technology may be. The energy
9 efficiency resource just keeps coming, and that's
10 what everybody has proven over the past decades,
11 and there's no reason to believe that it won't be
12 the case. And I think you can compare that to the
13 supply side where, you know, typically you will see
14 forecasts for power-plant efficiency improvements.
15 You know, there will be a plan to build a new power
16 plant in 2020, 2023, but you might not know exactly
17 what technology is going to be selected. You don't
18 know who is going to build that combined-cycle
19 unit, or you don't know who's going to deliver that
20 new transmission technology. But you do know that
21 it will be there; you do know that innovation
22 continues, that engineering and resource planning
23 and all of those things combine together to drive
24 the resources that we're going to need in that
25 decade. And to simply assume in a resource plan

1 that it's going to cease or nearly cease, I think,
2 is a mistake.

3 [Reference: PowerPoint Slide 11]

4 In contrast, Progress Energy's plan does
5 include energy efficiency resources, and that's one
6 thing that I think they do get right in their
7 resource plan, is they have energy efficiency
8 resources growing all the way through 2030 in their
9 plan.

10 Another thing that's good about the Progress
11 Energy resource plan, like Duke, is that they did
12 exceed their goals in 2010 -- not by quite as much
13 as Duke did, but I do want to acknowledge that
14 they're overachieving their goals, and that's a
15 great thing for customers and for the whole system.

16 Progress Energy's efficiency resource forecast
17 is about the same in their 2011 IRP as their 2010.
18 It was slightly decreased, but -- and I'm not real
19 clear on what caused that, but it's not a
20 significant decrease. And the only thing really is
21 that, unfortunately, the analysis that I just
22 showed you of the Duke High DSM case, which I want
23 to compliment Duke for doing -- even though I
24 disagree with the fact that they didn't select that
25 resource case -- Progress doesn't do a comparable

1 analysis, so the rate impacts, the cost impacts,
2 the risk impacts, I can't explain that to you for
3 the Progress system like I can for the Duke system,
4 simply because the data aren't there.

5 [Reference: PowerPoint Slide 12]

6 Another thing I want to comment on, in the ex
7 parte briefing that you had with the Progress
8 Energy staff, there were some concerns that were
9 discussed about rates and fairness. I think one of
10 the Progress Energy staff members talked a little
11 bit about his grandmother and some concerns there.
12 And I do want to kind of respectfully disagree with
13 some of the concepts behind that conversation, and
14 I want to talk through that a little bit.

15 As I showed before, with the more aggressive
16 Duke plan, it has the tendency to hold rates steady
17 or even drive them down. And I think there was a
18 concern that energy efficiency programs -- as well-
19 meaning as they are -- can drive up rates for
20 nonparticipants. And I think that that's -- that
21 really comes from a misapplication of the
22 understanding of the RIM Test score. And for those
23 of you who don't spend as much time staring at
24 energy efficiency plans as I do, I'll just kind of
25 remind you that the RIM Test score is the Rate

1 Impact Measure, and it's a measure of the costs --
2 excuse me -- the benefits of energy efficiency, in
3 terms of reducing system costs, compared to the
4 costs of the program, plus the lost revenues.

5 And what I think is often done is, there's an
6 assumption that a RIM Test score of one means that
7 the rate impact of an efficiency program is
8 neutral, that it neither increases nor decreases
9 rates, and I think that's a misunderstanding,
10 because the RIM Test is really comparative; it's
11 really more a way to compare one efficiency program
12 versus another. So, for instance, if you have a
13 lighting program where you're sending customers
14 coupons versus another lighting program where
15 you're maybe doing -- visiting the facility and
16 installing it directly, those two programs may
17 result in different outcomes and have different RIM
18 Test scores. They may affect the same resource.
19 So it may be useful to compare them and say, "Okay,
20 they're both going to have the same outcome, but
21 which one is going to have the least impact on
22 rates?" That's a really good way to use the RIM
23 Test.

24 Saying that a RIM Test score of one is rate-
25 neutral, and a RIM Test score of less than one

1 increases rates, and a RIM Test score of more than
2 one increases rates, can be misleading. And the
3 reason for that is that the RIM Test depends on
4 whether avoided costs are an accurate measurement
5 of the system benefits and energy efficiency.
6 Certainly, the avoided-cost method is a useful way
7 to measure the benefits of energy efficiency, but
8 is it exactly on-point? And I think if, you know,
9 you talk to our friends from ORS here and ask them
10 sort of, "Is the RIM Test the same method that you
11 use to calculate rates," the answer is no. There's
12 a lot of differences in the way that the RIM Test
13 works, and an actual rate-case methodology works.
14 And certainly the RIM Test is a good indicator, but
15 it's not sort of a simplified rate-setting test;
16 otherwise, you'd say, "Well, let's use the RIM Test
17 methodology to set rates." And no one would bring
18 that up, because that wouldn't make any sense.

19 So what I would suggest is that you can
20 actually have a RIM Test score of less than one
21 that results in rates being reduced. And in fact,
22 I just showed you a case of that, the Duke case
23 where I showed that, under the IRP analysis, the
24 higher level of efficiency tends to reduce rates.
25 Duke's current RIM Test score for their programs --

1 and I don't know the exact number, but it's about
2 .75. So if Duke is having a RIM Test score of .75,
3 and that's supposed to drive rates up, how is a
4 more aggressive efficiency program that does even
5 more efficiency tend to drive rates down? And it
6 seems like a contradiction, and I would just
7 suggest to you that it's not. The point is that if
8 you had a RIM Test -- if Duke could revise their
9 programs and get the RIM Test score up from .75 to
10 one, then its efficiency programs would drive rates
11 down even more. So it's directionally correct, but
12 just remember that that 1.0 is not quite the magic
13 number that it is for some of the other cost-
14 effectiveness tests.

15 Now why is this the case? Why is energy
16 efficiency so good at reducing rates over the long
17 term? And the reason is that it's much cheaper
18 than generation.

19 You had an exchange with the Progress Energy
20 staff, I believe, and I think one of the
21 Commissioners maybe was mentioning generation costs
22 of \$600-\$1,000 million per kilowatt -- or, excuse
23 me -- per gigawatt, or \$600 to \$1,000 a kilowatt.
24 And in comparison, a gigawatt of energy efficiency
25 is less than \$200 million, and that's based on

1 Progress's recent costs, compared to base-load
2 generation, of course, which is even much more
3 expensive. And obviously that's because its
4 operating costs are fairly low. But you can see
5 that energy efficiency is really, by far, the
6 least-cost system resource, and so going after it
7 is absolutely something you want to do to the
8 highest level, until its costs start to get beyond
9 optimal.

10 [Reference: PowerPoint Slide 13]

11 And that's really the question, is what is the
12 optimal level of energy efficiency? Is it the base
13 case in the IRP, as you've heard me suggest? I
14 don't think so. Is it a higher level, such as
15 Duke's High DSM case, or maybe the level that's
16 reflected in our settlement agreement? There's no
17 way to know, because neither utility conducts an
18 analysis to determine the optimal level of
19 investment in energy efficiency.

20 In contrast, you see a lot of optimization on
21 the supply side. You see that they'll test a case
22 of nuclear units being built in one year versus
23 another, and they'll look at how that affects the
24 scheduling of other supply-side resources. They'll
25 look at moving the CT units or the combined-cycle

1 units around year-to-year, but you do not see a
2 comparable effort being made on the demand-side
3 resources to see whether rescheduling or advancing
4 the efforts on those resources is being done. It's
5 just, that analysis is not present. And so, that's
6 really kind of the fundamental reason that we say
7 energy efficiency is not being evaluated in either
8 Duke's or Progress's resource plans on an
9 equivalent basis to the supply-side resources. You
10 can't do it exactly the same way. I don't want to
11 suggest that it should be treated exactly as a
12 supply-side resource. There's a lot of differences
13 in the way that efficiency resources are built and
14 constructed, and of course, they drive down demand,
15 so there's a degree of complexity there in the
16 analysis that's not the same as when you're simply
17 swapping out one power plant for another. But
18 performing that kind of an analysis to optimize
19 energy efficiency is a critical step in a really
20 effective resource plan, and it's one that
21 utilities in other parts of the country often do.

22 [Reference: PowerPoint Slide 14]

23 Now I'd like to turn to some other resources
24 in the Duke and Progress plans at this point. I'd
25 like to get going with a little bit on renewable

1 energy. This was something else that kind of got
2 some interesting discussion with the Progress
3 folks, and I kind of regret I wasn't able to
4 reschedule my travel plans when I learned that Duke
5 was going yesterday, so I could've been down to
6 hear what you might've talked about with them, so
7 you'll have to forgive me for that.

8 But one of the things that was of concern was
9 that renewable energy -- wind and solar -- are
10 intermittent and can't be dispatched. And I think
11 one of the things that's really fundamentally
12 missing from the resource planning approach of the
13 utilities is a consideration of the ancillary
14 benefits of renewable energy and demand,
15 particularly on the demand side. And so, for
16 example, you can't site a combined-cycle plant at a
17 customer's location. You know, you're just not
18 going to do that. But you can site solar resources
19 within the grid, in the distribution system, and
20 that can help reduce line losses. Those are really
21 significant benefits of renewable energy that can
22 be replicated.

23 But what I wanted to focus on is sort of this
24 intermittency issue. And it's true that wind --
25 you can't make wind blow harder than it's blowing.

1 I don't know of a single utility in the country
2 that knows how to turn the wind up. But what you
3 can do with wind that's very important to recognize
4 is that it does have a curtailment value, and you
5 can turn wind down. When it's blowing, you can
6 feather the turbine blades very quickly, and with
7 no cost or no operational impact to the system.
8 And that's in comparison to the fossil resources.
9 Generally, right now on most utilities' systems --
10 that don't have a lot of wind, that is -- the down-
11 ramp, the sudden load drops, are handled with
12 fossil resources being backed off very quickly.
13 That requires you to run a certain kind of unit, a
14 certain -- you know, whatever kind of units the
15 utility has in its system that can be ramped down
16 quickly, it has to have on-line at that moment.
17 Systems with wind, and if the wind is blowing, they
18 don't have to have those resources on-line. They
19 can be using a lower-cost resource at that time,
20 because they know that they've got the wind and the
21 ability to curtail it on short notice. And there's
22 no operating and maintenance impact of these
23 curtailments on the wind turbines. In contrast, if
24 you've got to suddenly -- if you've got an older
25 coal plant, for example, and you need to ramp it

1 down very quickly, there's going to be a pretty
2 substantial impact on that unit's performance --
3 either its environmental performance, or maybe it's
4 going to create, you know, over time an increase in
5 operating and maintenance costs.

6 So, you know, it's certainly not a huge, you
7 know, game changer, but it is an important value
8 that wind offers to the resource. And I think that
9 when we talk about wind and sort of talk about the
10 negative characteristics of the intermittency, I
11 think there needs to be a recognition of the
12 positive impacts of it, as well: that having that
13 resource and the ability to control its delivery to
14 the system on a very short timeframe is a very
15 unique resource in that sense.

16 Another contrast is nuclear dispatch. You
17 know, I mean, that is -- you know, there's a lot of
18 concern, you know, "Well, you can't really dispatch
19 wind, so therefore it's a resource that should be
20 valued less." But the reality is that there's
21 resources that people view as very desirable on the
22 system that have also limited dispatchability.
23 Nuclear is one of those. If you were to use
24 nuclear in a very high dispatch situation, that
25 would mean you would reduce its delivery of power

1 to the grid, and you would increase the need to
2 spread those capital costs over a smaller amount of
3 resource delivery.

4 So I think that just kind of keeping in mind
5 that this concept that not being able to dispatch
6 wind has a little bit more depth to it than maybe,
7 sort of, we think at first, when we just sort of
8 think about the fact that the wind blows when it
9 blows.

10 [Reference: PowerPoint Slide 15]

11 Another resource, obviously, that's discussed
12 a lot in the resource plans for Duke and Progress
13 is coal retirements. And we are real pleased that
14 both Duke and Progress have been very proactive in
15 committing to the retirement of their unscrubbed
16 coal-fired units. I want to compliment them for
17 that. They have thought through the economics of
18 those units very carefully and recognized that
19 keeping those older units on-line is not desirable
20 from a customer point of view, certainly not from
21 an environmental-health perspective. And replacing
22 those resources with cleaner resources, like energy
23 efficiency and others, is in everyone's interests.

24 What we don't see in the resource plans for
25 Duke or Progress is a look at the consideration of

1 the retirement and repowering of scrubbed coal
2 units. And this is significant because about half
3 of the costs that are needed to meet public health
4 protection requirements over the next decade are
5 still applicable to many of these scrubbed coal
6 units. And so I would just encourage you to
7 recognize that, you know, this sort of
8 scrubbed/unscrubbed distinction is very relevant,
9 because that's the single biggest cost category for
10 some of these plants, but it's not the only cost
11 category, and we really would like to see the
12 utilities take a closer look at whether some of
13 their older scrubbed units maybe are also not in
14 the customers' interests to keep operating.

15 [Reference: PowerPoint Slide 16]

16 Another point we discuss in our comments --
17 and I won't go into this in a lot of detail -- is
18 it's our view that Duke has a lot of excess
19 capacity in its resource plan, due to its planning
20 practices. And in this case, some of their
21 planning practices differ significantly from the
22 way Progress Energy is doing it, and it results in
23 a higher capacity need. And fortunately I think
24 one of the issues is going to be resolved; the
25 North Carolina Commission is requiring Duke and

1 Progress to prepare a reserve margin study for the
2 next IRP, and so we're pleased to see that is in
3 the works. But, you know, we would like to see
4 some of these other issues addressed.

5 You know, we just point out that carrying
6 excess capacity -- I think the utility can
7 certainly represent that that gives them extra
8 flexibility in how to operate their system, but
9 there's a cost to customers for having that excess
10 capacity.

11 [Reference: PowerPoint Slide 17]

12 Another point is related to nuclear power
13 plants, regarding the timing and the cost.
14 Regarding the timing, you know, we certainly see
15 these as being pushed out a little bit in the more
16 recent IRPs versus a couple of years ago. We're
17 now seeing this in the 2020s. Even still, these
18 plans that they are -- the resource plans that we
19 are reviewing at this point don't account for
20 issues such as issues that may come up in the
21 construction process that may require substantial
22 delays, such as have happened in the past at many
23 plants. The license schedule still remains
24 uncertain, and supply chain delays. We don't see
25 these uncertainties really dealt with in the

1 resource plans, explicitly.

2 [Reference: PowerPoint Slide 18]

3 On the cost escalation, this is a really
4 interesting area. So, in the Duke and Progress
5 IRPs, we have a different consideration of how
6 sensitive or how much potential there is for cost
7 escalation. In Duke's case, the highest level that
8 they consider is a 20 percent cost escalation; in
9 Progress' they consider a 30 percent. But between
10 the 2010 and 2011 IRPs, Progress increased its cost
11 estimate by 25 percent. And you can see I sort of
12 spliced together the two graphs here to show how
13 that cost increase is reflected in this figure from
14 the two years' IRPs. And you can see there's been
15 some adjustment to costs on coal and gas in that
16 IRP, but nuclear was the cost that really went up.

17 So this 25 percent cost increase in the
18 Progress plan almost hits the full value of their
19 sensitivity analysis that they performed, which was
20 30 percent. So, you know, we would certainly
21 encourage the utilities to update their analysis in
22 their next IRP with better cost estimates and to
23 widen the cost sensitivity range well beyond 30
24 percent.

25 [Reference: PowerPoint Slide 19]

1 One of the things that Blan mentioned in
2 introducing me is that we are involved in resource
3 planning all across the Southeast. I'm not going
4 to go into great detail about the TVA plan, but I
5 did just want to point out that the range of
6 sensitivities that the TVA IRP -- which we were
7 heavily involved in -- is much greater than what
8 either Duke or Progress look at in their resource
9 plans. So these are a lot of potential issues that
10 could be explored in great depth, and
11 unfortunately, you know, we don't see that
12 information, and so we can't sort of discuss the
13 implications of that with you in this context.

14 [Reference: PowerPoint Slide 20]

15 A final point I want to make is, in your order
16 from 1998, Commissioners, one of the things that
17 you suggested ought to be in resource plans is
18 consideration of the economic consequences of that
19 plan, and, you know, it is qualified by saying "to
20 the extent practicable." And we've been pointing
21 out for a couple of years that there are modeling
22 tools that are available to the utilities to
23 consider the economic impacts of different resource
24 plans, different levels of investment in certain
25 types of power plants, energy efficiency, renewable

1 energy, however the different mixes are
2 constrained.

3 And I've got up here just an example of an
4 output from this REMI Policy Insight model from
5 Wisconsin, where you can see that there was a --
6 you know, they were able to look at the job
7 impacts, for example, of Wisconsin's renewable
8 energy and energy efficiency programs. TVA is also
9 looking at using this model for its resource
10 planning process.

11 So, I think you can see that this is a way to
12 look at, sort of, things like energy efficie- --
13 excuse me -- what will be the sales impact of --
14 excuse me -- the impact of energy policies on
15 business sales, on gross regional product, on real
16 after-tax income, on jobs. And these are all
17 things that are of interest. Obviously, you know,
18 the sort of purpose of the IRP that I laid out at
19 the beginning is to look at the impacts of the
20 different resource plans on customer costs, but you
21 have a broader public interest in mind when you're
22 looking at these resource plans, as well, and this
23 would be very useful information, and we would
24 encourage the utilities to consider applying these
25 models and thinking through what they can -- what

1 they can share with you as to the implications of
2 their resource plan choices for the economy and for
3 the daily lives of people in South Carolina and
4 across the region.

5 And with that, thank you very much for the
6 opportunity to sort of go through our comments and
7 offer our perspective on the resource plans.

8 [Reference: PowerPoint Slide 21]

9 **CHAIRMAN HOWARD:** Thank you, Mr. Wilson.
10 Quite interesting. Commissioners, any questions of
11 Mr. Wilson? Commissioner Mitchell.

12 **COMMISSIONER MITCHELL:** How you doing, Mr.
13 Wilson? You spoke a little bit about solar and
14 wind power. Do you think must utilities provide
15 generation sources from solar and wind power when
16 there's low output? Should they -- should they --
17 with low solar and wind output, should there be any
18 timeframe where it's mandatory, I guess, is what
19 I'm asking, when solar power might be low and wind
20 might not be blowing, should they provide at that
21 time? Or what is your solution?

22 **MR. WILSON:** So you're saying -- Commissioner,
23 I'm sorry, I'm going to have to ask --

24 **COMMISSIONER MITCHELL:** What I'm actually
25 saying is, certainly there are varying times of the

1 year that solar is more prominent than other times,
2 and that wind is more prominent than other times.

3 **MR. WILSON:** Yes.

4 **COMMISSIONER MITCHELL:** What I'm asking you
5 is, if it is that certain period of the year,
6 generally, in a certain area that production is
7 high or low, should the utilities be forced to
8 provide that source if it's a low scale that
9 they're producing.

10 **MR. WILSON:** No, Commissioner, I don't think
11 that a utility should be required to deliver solar
12 energy or wind energy when the sun is not shining
13 and the wind is not blowing. I think that what
14 we're suggesting is that the proper way to look at
15 these resources is, first of all, in the context of
16 a resource planning process, where you can see what
17 the benefits are of operating those power plants on
18 the system, and how they can fit in with other
19 resources. I think that, you know, some people
20 would like to see us move to an all-solar-and-wind
21 grid, and I have not seen an analysis that would
22 convince me that that could be accomplished. I
23 think that's very unlikely. But I think that solar
24 and wind can play a very substantial part in the
25 annual energy delivery that the utilities need to

1 do, to meet the customers' needs in a reliable
2 manner.

3 **COMMISSIONER MITCHELL:** Thank you. And the
4 same thing -- and I notice we have even had reports
5 that have certainly changed my perspective a little
6 bit, because we've had reports recently of certain
7 wind production that is becoming viable -- a viable
8 source at a viable price. And you might have not
9 -- might not can answer this question, but how do
10 you propose that these utilities -- they're out
11 there serving the public every day, and certainly
12 there is quite a bit of political pressure at
13 certain times for them, in opposition to
14 renewables, and wind and solar. How do they deal
15 with that? Do you have any type ideas you might
16 could float? Certainly there are times when they
17 have to deal with these things, and certainly
18 there's times I'm sure when the public is favorable
19 to these. Do you have any ideas for them?

20 **MR. WILSON:** Well, we certainly -- Southern
21 Alliance for Clean Energy has been involved in this
22 issue for many years. We've been working with
23 local -- for instance, we are involved with wind
24 working groups, is a concept we've been involved
25 with and have done that both in the mountains and

1 on the coast, where we've worked with local
2 organizations and citizens to deal with their
3 concerns about these resources. We try to take a
4 very balanced approach to these resources. We
5 don't want to see, you know -- for example, in
6 North Carolina one of the big issues is, you know,
7 are we going to put windmills on the Blue Ridge
8 Parkway? You know, we're not supportive of that.
9 I think that would be a huge mistake. But there
10 are places in the North Carolina mountains, for
11 example, where our organization views it as
12 something that, if the local folks want to do it,
13 that it might be appropriate; and there's certainly
14 local support for that from certain areas, to
15 develop project in those areas.

16 So it's not something you can sort of apply a
17 blanket answer to. You've got to deal with it on a
18 very case-by-case basis. But we see really
19 enormous resource potential there. Not -- you
20 know, for example, Southern Alliance for Clean
21 Energy and I know Coastal Conservation League is
22 also very involved in offshore wind project
23 studies. And the wind resource out there is very
24 strong, and can provide a really huge resource.
25 And we've looked at some of the economics of that,

1 some of the transmission issues that come up with
2 that. There's a lot of work to be done, and I
3 think what we would like to see and what we -- you
4 know, what we've spoken to the utilities about and
5 asked them for their partnership on is to really
6 dig into those resources to figure how can we
7 develop those resources in a cost-effective manner,
8 how can we get the process started? We don't know
9 where the costs are going to go when we finally
10 start building those resources out, because there's
11 just not the experience with it. And so we're
12 going to have to do analyses and pilot projects and
13 really kind of do a very -- stepwise, you know, the
14 question is do you try to get all your answers --
15 questions answered before you start, or do you try
16 to work through this in a methodical way.

17 **COMMISSIONER MITCHELL:** Well, you just
18 answered my next question. I think you pretty much
19 touched on everything. My next question was, how
20 do we build the infrastructure where areas of
21 abundant supply of solar and wind are, and get them
22 to other areas. And you touched pretty much on it
23 there. Is there anything else you'd like to add?

24 **MR. WILSON:** Yeah, sure. The other
25 opportunity that I think is really intriguing, and

1 when I first heard about this I was -- I didn't pay
2 too much attention, and I'm a big clean energy
3 advocate, so I can imagine that you may be even a
4 little bit more skeptical than I was at that point.
5 But there is the opportunity to bring wind all the
6 way from western Oklahoma and those regions of the
7 country, bring that energy into really the entire
8 Southeast.

9 And right now there's a company that's looking
10 at building HVDC line from western Oklahoma to
11 Memphis to bring it onto the TVA grid. And, you
12 know, there -- it is not out of the question that
13 you could cost-effectively build HVDC lines that
14 would come all the way from the Great Plains into
15 the heart of the Southeast and deliver power onto
16 the grid at very substantial levels and cost-
17 effectively today compared to existing supply-side
18 resources, or -- or, excuse me -- supply-side
19 resources that you could build at today's costs.
20 It's frankly kind of astonishing to me that you
21 could move electricity that far with relatively
22 little line loss and at a relatively low cost. And
23 I've seen the numbers and they seem to be backed up
24 by reputable experts, and I think it's a really
25 interesting opportunity.

1 So, you know, those are maybe a little bit
2 long-term things, but that's what a resource plan
3 is, is you look at ideas that maybe could take
4 place in 10, 15 years, and you start trying to
5 figure out whether it makes sense to go down that
6 road.

7 **COMMISSIONER MITCHELL:** And my last and final
8 question is, are there factors out there that you
9 feel that certain areas of the country might be
10 more abundant in renewable supply that would lead
11 those citizens to embrace energy efficiency more
12 readily than a state like South Carolina? Or do
13 you feel those exist?

14 **MR. WILSON:** Well, I do believe that there are
15 abundant renewable energy resources in the
16 Southeast. They have a different character and
17 they require different answers than you would get
18 if you were in Oklahoma or Kansas or even Illinois.
19 I think, yes, so they are different. Are they less
20 abundant here? I would have a hard time -- I would
21 have a hard time agreeing with that statement, but
22 I think it's in context. I mean, the timing of --
23 I mean, the solar energy, for example, is much more
24 abundant here in the Southeast than it is in the
25 Upper Midwest, but people are investing in it up

1 there cost-effectively. So I think that's an area,
2 for example, where we've got greater resources. In
3 terms of energy efficiency, you know, another
4 resource, I think that is equally abundant in the
5 Southeast compared to the rest of the country. The
6 resource is different. You can't run the same
7 program you would run in Detroit, in Charleston;
8 it's going to be a different energy efficiency
9 program. But when you look at the underlying
10 numbers, there's no reason to think that we can't
11 do as much in South Carolina as someone is doing in
12 Iowa, on energy efficiency, and I think that's
13 where you can really look for, you know, local
14 innovation and a locally styled program but meeting
15 national standards.

16 **COMMISSIONER MITCHELL:** Thank you, very much.
17 Thank you, Mr. Chairman.

18 **CHAIRMAN HOWARD:** Commissioner Hall.

19 **COMMISSIONER HALL:** Thank you, sir.

20 Good morning. Glad to have you with us, this
21 morning. I wanted to ask a few more questions
22 about your energy efficiency portion of your
23 presentation. Now, you were talking about South
24 Carolínians versus Iowans. One of the things that
25 we have in South Carolina is a large number of

1 mobile homes. How does that contribute to the
2 energy efficiency opportunities? I mean, is it
3 limiting? And just -- is it --

4 MR. WILSON: I'm aware of --

5 COMMISSIONER HALL: I'm --

6 MR. WILSON: -- that.

7 COMMISSIONER HALL: -- curious as to --

8 MR. WILSON: Yeah.

9 COMMISSIONER HALL: -- how --

10 MR. WILSON: No, that is a very significant
11 issue, and I think -- I don't have a quick answer
12 for you on that.

13 COMMISSIONER HALL: I don't think there is
14 one, probably.

15 MR. WILSON: I don't think there is one. But
16 we -- you know, one of my colleagues, Natalie Mims,
17 has been working directly with some of the folks in
18 South Carolina on program design. That's an area
19 where we would like to work with the utilities to
20 develop better programs. And, you know, if I may
21 refer back to the merger settlement, what we have
22 agreed to do with the utilities -- and what I'm
23 very excited about -- is that there's, you know,
24 we've now sort of set this very ambitious goal of
25 energy efficiency targets as something the

1 utilities are going to try to move towards. The
2 process for that is we have to come up with the
3 programs that you, Commissioners, will approve and
4 agree are in the interests of customers, and I
5 would hope that that would be an area where we
6 would really dig in and work on that. It may
7 require -- I think it's going to require two
8 things. One is, we have to figure out how you
9 approach the customers who are in mobile homes, to
10 interest them in energy efficiency. They've got a
11 specific set -- you know, if they're renting the
12 mobile home versus owning it, that creates a very
13 different set of questions about how they're going
14 to invest in energy efficiency. Then you've got
15 the technology issues. It's much harder to go in
16 and add insulation, obviously, to a mobile home,
17 versus someone's attic that maybe doesn't have
18 adequate insulation.

19 I think a lot of these things can be overcome
20 -- and I'll use an example of something outside the
21 mobile home area, which is that we've been really
22 pleased with the impact of Progress Energy's
23 efforts on low-income programs with this community
24 based program, the Neighborhood Energy Savers I
25 think is what they call it. And it's really one of

1 the best program models in the country for reaching
2 low-income customers. It's a really great design.
3 It's very cost-effective. In fact, you know, in a
4 way, that program is so cost-effective I kind of
5 wonder whether they should just kind of ease back
6 or eliminate some of the income restrictions and
7 look at expanding that approach as a more general
8 program design. But that's something to talk to
9 them in a little bit more detail, so I don't want
10 to, you know, say that's definitely where we should
11 go. But I do want to say that that kind of
12 rethinking of the premise of these programs changes
13 the whole equation. It's not just simply about do
14 we need to spend more money; it's how do you
15 communicate with people and share the knowledge you
16 already have with them, and solve the problems --
17 "You know, my landlord won't let me do this." How
18 do you change that dynamic? Those are really tough
19 questions, but until you've got people who say,
20 "Okay, we're going to solve those questions,"
21 you're not going to get to the answer.

22 **COMMISSIONER HALL:** Okay. Along those lines,
23 a lot of it is behavioral-based, so what is your
24 attitude towards what customers will do beyond the
25 easy things like replacing light bulbs, and once

1 the government subsidies have expired? What do you
2 anticipate customers doing?

3 **MR. WILSON:** Well, I think a lot of that
4 perspective comes from the residential side. I
5 think the -- but keep in mind that a large portion
6 of the energy resource is on the commercial and
7 industrial side. And that's one of the areas that
8 I think -- you know, for example, that last slide I
9 showed about the economic modeling, making the
10 economies of South Carolina and other southeastern
11 states more competitive by helping businesses
12 become more energy efficient, that's a huge win.
13 And in a lot of cases, what we find is that the
14 companies don't need so much, you know, just to do
15 the easy things; sometimes it's process redesign,
16 and sometimes what they haven't done is thought
17 about it from an energy perspective.

18 Small to midsize enterprises may not have a
19 full-time energy manager on staff. And what I've
20 seen some other utilities do in other parts of the
21 country is basically say, "Fine, we're not going to
22 help you pay for your energy savings, but we're
23 going to put somebody in your plant for a year to
24 help you think through how you can redo your
25 process in a more energy efficient way, and come up

1 with ideas that you never would have thought of
2 because that's not your expertise." That may put
3 that business in a whole new direction, save jobs,
4 add jobs, and change and transform the economy. So
5 I think there's a lot of different ways to approach
6 these problems.

7 The other thing, going back to your question
8 about lighting, you know, you may think that sort
9 of in a few years we're going to change out all the
10 light bulbs, but I've seen projections from
11 utilities in the Southeast that suggest that light
12 bulbs -- that residential lighting will continue to
13 be a savings opportunity for more than a decade,
14 and that utilities will have a role in helping with
15 that. The lighting standards that are going into
16 effect next year, perhaps without enforcement --
17 we'll see how all that works out -- but those
18 standards that are going into effect, they only
19 affect a very specific portion of the residential
20 lighting market. A lot of the light bulbs that are
21 on the market remain unregulated next year. The
22 regulations ramp in over a few years, and even then
23 they don't cover all of the light bulbs in the
24 home. So I think it's important to recognize that
25 it's still a very dynamic market out there, and

1 even once those regulations are in place and being
2 enforced, they only set a certain threshold, and
3 there are energy saving opportunities well below
4 those thresholds that the utilities can help
5 customers to achieve.

6 So I think there's a lot of opportunity there,
7 and it's over a diverse range of things, and I
8 think that positioning the utility to think in that
9 way is going to be good for everyone.

10 **COMMISSIONER HALL:** Thank you. Thank you, Mr.
11 Chairman.

12 **CHAIRMAN HOWARD:** Commissioner Whitfield.

13 **COMMISSIONER WHITFIELD:** Thank you, Mr.
14 Chairman.

15 Good to have you with us, this morning, Mr.
16 Wilson. I want to talk to you a little bit, if I
17 could, about fuel. I guess first I want to ask you
18 a question about coal. Particularly since
19 emissions have been drastically reduced and
20 continue to be reduced with scrubbers, SCRs, and
21 the clean coal technology that's on the horizon,
22 and of course with us being so dependent on coal
23 for base-load generation, do you think the US
24 should turn back its reliance on coal? Or what's
25 your opinion there?

1 **MR. WILSON:** Well, you know, I don't think
2 that we addressed that issue in our comments on the
3 resource plan, so I'll speak for myself and for the
4 Southern Alliance for Clean Energy in response to
5 your question, because we didn't get into that
6 level of detail.

7 We would like to see coal eventually phased
8 out, I think, or at least moved to a situation
9 where you can do carbon capture and sequestration.
10 We're very concerned about the impact of carbon
11 dioxide emissions as a greenhouse gas on climate
12 and the implications for that in terms of quality
13 of life and our economy and the many effects that
14 it's going to have over the next century. And so,
15 but we understand that you can't just simply do
16 that tomorrow. You know, it is not our
17 recommendation to anyone in the Southeast, in any
18 context, that we simply shut down coal plants
19 tomorrow. We've got to think through this in the
20 correct way.

21 **COMMISSIONER WHITFIELD:** Looking at the near
22 term, if you will, let's talk about natural gas, if
23 we could. Are natural gas units the only practical
24 solution to satisfy short-term supply-side
25 generation needs?

1 **MR. WILSON:** Well, you have phrased the
2 question, Commissioner, in a supply-side generation
3 form, and I think that's certainly one of the
4 quickest resources to bring on. I think energy
5 efficiency is a resource that could be deployed
6 more rapidly and more effectively on the demand
7 side. I think also you can increase the efforts on
8 solar energy. Wind energy takes a little bit
9 longer to develop than solar energy; you've got to
10 sort of go through the proper studies and siting
11 and that sort of thing, so -- but I think, you
12 know, to the extent that more resources are needed
13 in the short term, gas is a pretty attractive
14 option.

15 **COMMISSIONER WHITFIELD:** Let me stay on
16 natural gas a little bit, if I could, while we're
17 on it. Does it make sense to divert natural gas to
18 an inefficient use instead of retaining the
19 majority of direct uses where it's more efficiently
20 used?

21 **MR. WILSON:** No, sir.

22 **COMMISSIONER WHITFIELD:** Okay. I didn't know
23 if you needed an example on that, but anyway, you
24 feel no there. Are you concerned with the long-
25 term, low-cost availability of shale gas, in light

1 of the possible environmental controls and
2 increased foreign demand on it?

3 **MR. WILSON:** We've been looking at the --
4 again, I'm speaking for Southern Alliance for Clean
5 Energy here, because these issues weren't addressed
6 in our comments -- and we have been looking at the
7 issues around shale gas and its development, and we
8 haven't, to be quite honest, reached a full opinion
9 on that. There's a lot of information in the news
10 media and studies that we've been sort of taking
11 under advisement. I have a pretty good
12 understanding of the process known as fracking, for
13 example, and understand that some of the concerns
14 about it are probably more closely related, you
15 know, really just sort of how the process sounds.
16 But then, on the other hand, when you look at on-
17 the-ground impacts, you realize there are some real
18 management issues surrounding the development of
19 shale gas, using the fracking technology. There's
20 a lot of chemicals involved, there's a lot of
21 greater risk of groundwater contamination if the
22 conventional techniques of casing wells are not
23 properly applied and tested and so forth. So it's
24 an issue that we are looking at real closely. So
25 far, we haven't seen anything to suggest that the

1 opportunity for domestic shale gas to play a
2 substantial role in near- to mid-term energy
3 resource needs is off the mark, but I don't know
4 that I can really give you a complete answer to
5 your question.

6 **COMMISSIONER WHITFIELD:** To that end, to that
7 potential, you're referring to, that natural gas
8 might play, are you concerned that sufficient
9 infrastructure might not exist to move natural gas
10 from new sources to the sites of the new generation
11 facilities?

12 **MR. WILSON:** Well, Commissioner, again
13 speaking for Southern Alliance for Clean Energy, we
14 looked at that issue to some extent, but we haven't
15 formed a full opinion on that question. I think
16 it's a very relevant question, so I want to say,
17 you know, I think that's something that has to be
18 looked at. But it doesn't seem to me that that's
19 an insurmountable problem going back to the point
20 about transmission, you know, opportunities,
21 speaking from maybe Oklahoma all the way to the
22 Carolinas perhaps with a DC line. That seems sort
23 of almost implausible, you know, kind of, in its
24 scale, and yet when you look at the details, it
25 turns out to be not that hard compared to some

1 other projects and things that are being considered
2 seriously in this country. So I think that I would
3 look at it from that perspective, as well, in terms
4 of the gas pipeline issue.

5 **COMMISSIONER WHITFIELD:** Thank you, Mr.
6 Wilson. That's all I have, Mr. Chairman.

7 **CHAIRMAN HOWARD:** Commissioner Hamilton.

8 **COMMISSIONER HAMILTON:** Thank you, Mr.
9 Chairman.

10 How are you, Mr. Wilson?

11 **MR. WILSON:** Fine, thank you very much.

12 **COMMISSIONER HAMILTON:** Mr. Wilson, are you
13 aware that the NRC is apparently prepared to issue
14 the combined license for the proposed Duke Vogtle
15 unit in Georgia, and also the Summer unit in South
16 Carolina?

17 **MR. WILSON:** Commissioner Hamilton, I'm
18 generally aware of that. I will say that I did not
19 -- much of the comments on the nuclear perspective
20 that I've related to you were developed by other
21 staff, and I am not as on top of the nuclear
22 portion of the comments and the timing and cost
23 uncertainty issues as perhaps other people might
24 be.

25 **COMMISSIONER HAMILTON:** I see. You might also

1 like to be aware of the fact that the Summer plant,
2 the cost estimates have either held firm or have
3 been below the original estimates for the costs.

4 **MR. WILSON:** I have seen some news reports to
5 that account. And I understand there are some
6 questions about that, and I frankly am not -- I'm
7 not up to date on that. I haven't looked at those
8 issues for a couple of months.

9 **COMMISSIONER HAMILTON:** Thank you, sir.

10 **CHAIRMAN HOWARD:** Commissioners.

11 **VICE CHAIRMAN WRIGHT:** Mr. Chairman.

12 **CHAIRMAN HOWARD:** Commissioner Wright.

13 **VICE CHAIRMAN WRIGHT:** Well, still good
14 morning. I know you're familiar with the
15 Bonneville Power Administration decision. Do you
16 have any comment -- I guess, personally, I guess,
17 any comment -- on FERC's ruling that environmental
18 dispatch is discriminatory?

19 **MR. WILSON:** It's an intere- -- Commissioner,
20 so, as I understand what you're referring to is
21 that Bonneville Power Administration decided to
22 order curtailment of wind over the objections of
23 those generators in order to allow other resources
24 to continue to run on their system, and FERC
25 basically said that that arbitrary decision was

1 discriminatory.

2 **VICE CHAIRMAN WRIGHT:** Correct.

3 **MR. WILSON:** And what I think it goes back to
4 is exactly the issue that I was raising on the
5 slide on wind, which is that wind curtailment has
6 value. And I think that you can sort of look at
7 that as actually a -- I view it as a very positive
8 ruling, because I think what it says to Bonneville
9 Power and to other utilities is that, when you're
10 contracting with wind resources, you need to
11 recognize that the ability to ramp down quickly has
12 benefits to the system, and that if you want to use
13 those benefits, you should pay for them. So I --
14 you know, it needs to be structured into the
15 contracts that this sort of curtailment is going to
16 happen. It probably is a responsible decision
17 operationally to ramp those wind resources down in
18 the circumstances, is my understanding. What you
19 need to do is make the contracts and the financial
20 arrangements around those resources reflect the
21 fact that that is -- you know, by making those the
22 preferred resources for ramp-downs, that the people
23 who are delivering that resource need to be paid
24 for that. And that may affect other aspects of
25 their compensation, and so be it. But that's the

1 perspective I would take on it, is that that's a
2 positive ruling, and it says this is a valuable
3 resource; let's not just sort of take that value
4 from those generators without compensation.

5 **VICE CHAIRMAN WRIGHT:** I always enjoy, from
6 just being from the Commissioner's side of things,
7 that we get to hear perspectives and different
8 perspectives on the same thing. Just from your
9 position, sometimes I hear some things that you
10 hear on the utility side, but just explained a
11 little differently, so I appreciate hearing the way
12 you outline some of this stuff. It just makes you
13 think.

14 And to that end, the REMI Policy Insight
15 model, if you could give me a little bit more
16 detail, maybe a little more insight of how the REMI
17 model would be an improvement over what the
18 utilities are currently using.

19 **MR. WILSON:** Thank you, Commissioner. I would
20 not suggest to the utilities that they replace
21 anything they are currently using with the REMI
22 model. What it is, is it is a model that looks at
23 energy policy choices and gives you an opportunity
24 to compare the economic benefits. Right now, the
25 utilities do not present that kind of information

1 in any form in their resource plans. There's no
2 projections of jobs under Plan A versus Plan B;
3 there's no projections of overall economic impact.
4 It's just not an issue that's been addressed. And
5 I understand why that is; I'm not saying they're
6 being clever or deceitful or anything negative.
7 It's just that they've been focused on customer
8 rates and reliability, and the models they have are
9 designed to address those questions. This is an
10 additional area of investigation that we would like
11 to encourage the utilities to look at and consider.

12 And for example, in the Tennessee Valley
13 Authority resource plan, one of the TVA statutory
14 mandates as a federally established power authority
15 is to look at the economic impact of its system on
16 the region. So, in that case, there was a very
17 clear statutory directive, and so they used a
18 version of the REMI Policy model and some other
19 tools to look at economic impacts. It was a fairly
20 limited effort in the last resource plan, but I
21 think there's a commitment from the TVA leadership
22 in the next resource plan to do it a little bit
23 better and in more depth. At least, that's my
24 impression. And so, I think that's an opportunity
25 for the utilities that are, I think, very keenly

1 interested. They've always had an interest in
2 economic development. They have typically pursued
3 that from the point of view of, you know, "How can
4 we attract businesses and industry to the State
5 with low rates," and that's certainly a valid
6 perspective. What I think the REMI Policy model
7 would point out is that when you're making resource
8 choices, that also attracts suppliers and
9 businesses that are helping to deliver those
10 resources to the State. And energy efficiency, for
11 example, is the most job intensive and the most
12 locally sourced resource that's available. And so,
13 certainly from the perspective of the resources
14 that we are encouraging the utilities to put more
15 emphasis on, you know, that kind of a model
16 analysis is going to give an illustration of the
17 impact of that on the economy, and that's going to
18 be a good thing for the economy and a good thing
19 for the utilities to talk about.

20 **VICE CHAIRMAN WRIGHT:** You had a conversation
21 earlier with Commissioner Hall where you were
22 talking about the income issues among South
23 Carolinians as opposed to maybe the Southeast and
24 rest of the country -- mobile homes -- and how is
25 it possible for low-income families, especially

1 those who are -- the ones who are in the mobile
2 homes that we're talking about, how do they
3 participate? You know, how can they participate in
4 energy efficiency or anything else in today's
5 economy? You know, that's a difficult nut to
6 crack, and I appreciated the conversation you had
7 with her. But are the utilities -- you're not
8 saying that they're -- I don't -- I'm going to use
9 the word "misguided" here but that's not what I
10 mean. When you're saying, right now with the
11 economy the way it is, low rates are important,
12 especially in a state like South Carolina today,
13 and reliability is very important, too, so when
14 you're talking about other resources and bringing
15 in wind or solar, that obviously comes at a cost,
16 so where are you saying we draw the line or to look
17 at drawing the line on those, you know, in
18 incorporating those, from a Commissioner standpoint
19 and even from the utility standpoint? Because I
20 appreciate what you're saying, and I hear it, and
21 in a perfect world, you know, maybe I'd say you're
22 absolutely right, but today's economy is kind of
23 tough.

24 [Discussion off the record between Mr.
25 Wilson and Mr. Holman]

1 **MR. WILSON:** Yeah. And, Commissioner, my
2 attorney is reminding me that I, of course, am not
3 in this setting in a position to give you a
4 recommendation, so, I think what I would respond
5 with is just to describe sort of some of the best
6 practices that are out there. And I think, first
7 of all, we've seen in the presentation from an
8 efficiency point of view that we view the
9 efficiency resource as one that can be delivered at
10 a cost savings and even a rate savings to
11 customers. That may not be true on every day of
12 the week and on every day of the year and every
13 year over the planning horizon, but it is a
14 generally consistent approach. I think it's
15 developing the innovation to figure those things
16 out, I think -- what I think -- the reason I think
17 what we are asking for from the utilities is so
18 challenging, you know, we have a challenging job in
19 that we need to articulate what we want very
20 clearly from the utilities; and they have a very
21 challenging job in that if they are going to
22 respond to us, it requires them to do a lot of new
23 things in a lot of different parts of their
24 companies.

25 I know that there's staff here from both the

1 efficiency program, the delivery side of Progress
2 Energy, and the resource planning side of Duke
3 Energy. They both have to innovate planning
4 practices and program delivery practices at the
5 same time, in order to deliver these resources,
6 because over the twentieth century we developed a
7 lot of regulatory and planning processes around
8 utilities that were designed to build out the
9 system. It was a very growth-oriented planning and
10 regulatory model, and I think that there is a lot
11 of deference to that because it was a very
12 successful model.

13 But in this century, I think what we've got to
14 recognize is that we are not -- we don't have to
15 build out the electric system; what we need to do
16 is make it an engine that transforms the economy in
17 a way that's constructive for people, in the same
18 way that building out the system transformed the
19 economy in a way that was good for people. But now
20 we're talking about a new economy that's needed for
21 a new era. And I think that that -- that thinking
22 through regulation, planning, program delivery in a
23 very new way is challenging, because it says we're
24 not going to do things the way it worked so well
25 for so many years. And I think there's going to be

1 a lot of hesitation about that.

2 So where would I draw the line? I can't say
3 that there is a planning practice out there that is
4 ready to take off the shelf and say, "Here are all
5 the answers." But what I can say is that if the
6 utilities don't become more aggressive, creative,
7 and thoughtful in responding to the challenges that
8 we are facing before us, and they keep doing the
9 same old things, I can tell you that that will not
10 be to the best result. And that's the best answer
11 I think I can give you to that. At least,
12 hopefully, it's a halfway satisfactory answer,
13 Commissioner.

14 **VICE CHAIRMAN WRIGHT:** Well, I do agree with
15 you that the -- I believe you said -- I think it's
16 Progress's plan that the low-income -- I mean, it's
17 a labor-intensive, grassroots plan to try to help.
18 I do agree with you that that is a model worth
19 pursuing. And, you know, in other utilities across
20 the country it's even more aggressively than in our
21 State. You know, I like it.

22 **MR. WILSON:** Yeah.

23 **VICE CHAIRMAN WRIGHT:** Thank you.

24 **MR. WILSON:** Thank you, Commissioner.

25 **CHAIRMAN HOWARD:** Commissioners?

[No response]

Mr. Wilson, I've got a couple of questions.
On your chart on page four, "Top 10" state?

[Reference: PowerPoint Slide 4]

Could you identify, is that just one state? I thought you said that was the #10 state? Could you identify that state and give me approximately what their current rates are per kilowatt-hour?

MR. WILSON: Commissioner, I can't recall that at this exact moment. I can tell you that that information is in that report that's cited there, and that will be in our response to the meeting of the requirements of the ex parte that all the information that we refer to is there.

The way that I generated that line -- and it's just simply indicated to be a reasonable representation of what the leading states are -- is that I took the target for the tenth highest state on ACEEE's list and annualized it and averaged it out, so it's representative of, really, any state in maybe the rank seventh through fifteenth or so, would be a reasonable way to present that.

CHAIRMAN HOWARD: Okay.

MR. WILSON: And I have looked at the rate issue, so if I can respond to your question maybe

1 with a slightly different answer than you were
2 asking for -- if that's okay with you, Mr.
3 Chairman.

4 **CHAIRMAN HOWARD:** Sure.

5 **MR. WILSON:** We did an analysis looking at
6 rates versus rates -- electric rates in states
7 versus energy efficiency savings of the states, and
8 we found that there is little to no correlation
9 between those two outcomes. If there is any
10 correlation, it's very slight and it's driven by
11 the fact that a few states with very high electric
12 rates -- like Hawaii or California -- tend to have
13 among the highest results. But once you look down
14 at the middle range, there are states with rates
15 that are lower than South Carolina, frankly, that
16 are doing far more energy efficiency than South
17 Carolina has performed in the past. There are
18 states with rates comparable to South Carolina or a
19 little higher, that are doing far more energy
20 efficiency.

21 So we're not seeing -- there is certainly a
22 relationship between electric rates and the
23 opportunity and the interest of customers in
24 pursuing energy efficiency, but there are other
25 reasons besides cost and rates that really are at

1 the heart of why people don't do what's in their
2 own economic self-interest, and I think that's
3 really what's at the heart of your question is, you
4 know, do people who have electric rates that are 15
5 or 20 cents a kilowatt-hour have more interest in
6 energy efficiency than people who have rates at 7
7 to 10 cents a kilowatt-hour? And the answer is,
8 yes, but it's not as relevant a question as you
9 would think.

10 If you're a tenant in a commercial building --
11 and forgive my ignorance that I don't know whether
12 the State of the South Carolina owns this building
13 or not. If the State of South Carolina is leasing
14 this building, it has less interest in investing in
15 energy efficiency in this building than if it owns
16 it.

17 **CHAIRMAN HOWARD:** Right.

18 **MR. WILSON:** And that's a significant issue,
19 regardless of the electric rates. And when you
20 look at someone who owns a restaurant with a three-
21 year lease on their space or someone who maybe is
22 leasing the equipment that they operate in a
23 manufacturing facility, that creates very
24 significant incentives for them to not invest in
25 energy efficiency because, you know, they don't get

1 to keep the savings over time; somebody else owns
2 those savings, they don't.

3 **CHAIRMAN HOWARD:** The situation of the
4 grandmother subsidizing other energy-efficient
5 points, should the grandmother pay more to
6 subsidize energy efficiency proponents?

7 **MR. WILSON:** Well, first of all, as I pointed
8 out at the beginning, I don't think that
9 grandmothers are likely to subsidize other people's
10 energy efficiency efforts, because I think that the
11 rates are likely to go down. But if the utility
12 comes back with a plan that results in, say,
13 slightly higher electricity rates than they would
14 have with a supply-side dominated plan that
15 involved building more power plants, first of all
16 I'd be surprised, but second of all, if that were
17 to happen, keep in mind that -- well, let me phrase
18 that question -- let me phrase that opening a
19 little different way. I think sometimes rates will
20 go up. The question is, will they go up as much as
21 they would have with the supply-side resources. So
22 yes, the grandmother may be paying into a fund for
23 someone else to save energy, but that's better than
24 paying into a fund to build a power plant that
25 costs more than those energy savings. So from her

1 own financial interest, I think she should be very
2 happy that the utility is finding the cheapest way
3 to operate its system. And even if that means
4 going in and helping a neighbor save energy, that
5 is in her interest.

6 I think where you get this issue more sort of
7 acutely and where you all will hear it a little bit
8 more sharply is on the industrial side, and where
9 you get this concern that, you know, "My rates are
10 going to help the guy down the street who is my
11 business competitor." And I think there's a kernel
12 of a valid point there, but I think that it's so
13 easy to focus on sort of that raw competitiveness
14 that what many people in the industrial and
15 business community forget is that many of their
16 competitors are also their business partners, or
17 many of the other businesses on the system are
18 their business partners, and it is in everyone's
19 interest, if Blam here -- Mr. Holman here --
20 operates a manufacturing plant on the side -- and I
21 don't think he does, but he may want to next year.
22 You know, he may be a competitor with one of the
23 folks sitting in the room, but they're both
24 suppliers to another business in South Carolina.
25 And that business in South Carolina is comparing

1 their costs with the costs to do business with a
2 company in China or Europe. And that -- helping
3 Mr. Holman and his competitor both cut their energy
4 costs is in the interests of that other business in
5 South Carolina, as well, and reduces their costs
6 and helps everyone keep jobs and businesses and the
7 economy strong here. So I think that that broader
8 perspective is one that gets a little bit lost in
9 sort of this cross-subsidization/fairness debate.
10 And I would encourage you to kind of -- I know I'm
11 not supposed to make recommendations, so I'm going
12 to phrase this in a different way. I would say
13 that the approach that should be taken when
14 thinking about these questions is as broad and as
15 public-interest minded as possible, and I think
16 that that is the State's interest.

17 **CHAIRMAN HOWARD:** The pending -- and I say
18 "pending"; it might already have happened. The
19 pending EPA regulations, in particular on
20 emissions, coal ash ponds, what is your thought on
21 these regulations and how does your organization
22 tie it into what the cost would be to the
23 ratepayers to implement these regulations? And
24 where is the breakeven point or the optimum point,
25 or how does your organization look at that?

1 **MR. WILSON:** Well, Commissioner, Mr. Chairman,
2 that was a question we did try to look at as we
3 analyzed the utilities' resource plans. And first
4 of all, there's not enough information in their
5 analysis for us to reach sort of a definitive
6 answer to that. But if you'll indulge me for a
7 second, I'll tell a little bit of a story that
8 relates to that.

9 Our organization, Southern Alliance for Clean
10 Energy, had been pushing the Tennessee Valley
11 Authority for several years to do an integrated
12 resource plan, and we'd been speaking with senior
13 management and board members about that for several
14 years. And they were fairly noncommittal, would be
15 maybe the best way to say it, in response to us.
16 And then the Kingston coal ash disaster happened,
17 and you saw this massive failure of a containment
18 facility that caused a lot of damage. And fairly
19 quickly, the senior management at the Tennessee
20 Valley Authority understood that the underlying
21 cause of that disaster was a focus on short-term
22 cost control and not on long-term resource
23 management. And I think -- and at that point, they
24 recognized that a response to that was to perform
25 an integrated resource plan that began to look at

1 the overall costs and risks associated with the
2 resource choices that they had made in the past and
3 the ones they might be making in the future. And
4 it would seem to, probably, many outside observers,
5 that drawing a line from a coal-ash containment
6 failure to an integrated resource plan is a pretty
7 long and vague line to connect, but I can assure
8 you from conversations that I've had and that my
9 colleagues at Southern Alliance for Clean Energy
10 have had with senior management there, that that
11 was a connection that they made; it was a very
12 short and a very clear line. And I think that that
13 is why these questions we are asking and that I
14 have presented to you today are very relevant
15 questions for the utilities to consider in their
16 resource planning process.

17 You know, looking at more deeply these
18 scrubbed coal units and the risks associated with
19 continuing to operate those, the cost implications
20 of upgrading them or not upgrading them, it's not
21 -- you know, when EPA establishes these
22 regulations, they do extensive cost-benefit
23 analyses on these regulations. And it's my
24 understanding -- I haven't read all of those
25 analyses -- that they are very cost-effective

1 regulations when you look at the benefits compared
2 to the costs of either meeting those regulatory
3 requirements or finding alternative resources. And
4 I think that those analyses should not be sort of
5 dismissed as kind of just paperwork, but you should
6 recognize that those are an indicator that if the
7 utilities begin to build those kind of cost
8 considerations into their resource plans, they're
9 going to make different decisions than if they
10 don't consider those costs, and that's why a
11 broader look at costs and impacts of resource
12 planning decisions is very much in this State's
13 interests and very much in keeping with, I think,
14 the mission of this Commission.

15 **CHAIRMAN HOWARD:** Okay, thank you very much.

16 **VICE CHAIRMAN WRIGHT:** I have one.

17 **CHAIRMAN HOWARD:** Commissioner Wright.

18 **VICE CHAIRMAN WRIGHT:** I want to follow up on
19 that, just to get your opinion on something.
20 Health and safety, that's where I want to go. EPA,
21 and I just heard you talk about the regulations --
22 and I'm not sure that you really answered the
23 question in the way that Commissioner Howard was
24 looking, but, you know, because if coal ash, for
25 example, is regulated as a hazardous waste, it's

1 one thing, and it's a huge cost, huge, and it's a
2 big enough cost to comply with the regulation
3 they're proposing. But you've got a whole lot -- a
4 whole host of regulations that are coming down the
5 pike, okay? We don't know, as we sit here today,
6 what the true cost is going to be, how quickly
7 those costs are going to be mounted, and then how
8 quick recovery is going to be asked for. And at
9 what point does EPA's concern about health and
10 safety -- which I'm not saying is wrong; understand
11 that -- but at what point is it too much too fast,
12 or can the ratepayer afford to pay it, or not
13 afford to pay it, because right now we've got a
14 real problem in this country where people can't
15 afford to pay their bills now and we're having to
16 find other ways and other avenues for them to get
17 help to pay their bills, if these regulations come
18 through the way they're coming through -- they're
19 talking about it -- and there's the competition for
20 vendors and there's, you know, the rush to get all
21 the stuff done? At what point does it become a
22 health-and-safety issue on the other side when
23 somebody can't pay their bill and a whole other
24 group of people gets pushed to the edge or over the
25 edge and it becomes a health-and-safety issue on

1 that side where we're concerned, you know, when the
2 power goes out and, you know, reliability is an
3 issue, as well as cost? So where does the -- we're
4 supposed to balance the needs of the utility and
5 the customer and economic development without
6 wrecking the economy. At what point is there an
7 issue? Where does it become a problem? Have you
8 looked at that? Is that something that you've
9 considered at all?

10 **MR. WILSON:** Not in the -- perhaps,
11 Commissioner, not in the detail that you would like
12 to see, but, you know -- I'll just be blunt -- we
13 don't have the resources to build those kind of
14 computer models ourselves, where you optimize and
15 cross-optimize all of these different costs of all
16 these different regulations. We're relying on our
17 opportunity to review, through the regulatory
18 process, the documents that the utilities put
19 forward, and their cost estimates. And I think
20 they have done some of that work on some of those
21 issues.

22 And our opinion is that the environmental
23 compliance costs, when you really look at them, are
24 not so high that they're going to drive rates up to
25 that extent. I think the important thing for the

1 utilities to do is to be very focused on building
2 out some of these low-income or moderate-income
3 efficiency programs that can help exactly those
4 customers out, and so if they're seeing a 2 or 3
5 percent increase in rates based on environmental
6 compliance costs -- and I don't know that that's
7 the exact number, but it's my sense that that's the
8 kind of order of magnitude we're talking about --
9 then, you know, there's an opportunity for the
10 utility to bring in an efficiency program that can
11 help them cut their bills by 5 or 10 percent. And
12 those programs, you know, we know they're running
13 them and they can be scaled up and they can be very
14 successful. So I think that's the way I would hope
15 that the utilities would approach the balance
16 issue, is to redouble their efforts to help people
17 manage their energy costs.

18 It is certainly -- all of this is good for the
19 utility's bottom line, because they have the
20 ability to earn money on their efficiency programs,
21 as well as on selling energy. So I think there's a
22 sense that this -- from our perspective, that this
23 problem can be resolved. But I recognize that the
24 process you just described as sort of going through
25 and balancing all these things is one that you all,

1 as Commissioners, have to do. My impression is
2 that the regulations are flexible enough to do
3 that.

4 I think one thing I remember from a different
5 professional experience was a complaint by a
6 different economic sector in a different state,
7 that the regulations were coming too piecemeal, and
8 they would kind of like to have them all at once;
9 they could deal with them all at once, and get it
10 all over with all at once. And now we've got a
11 situation where they're all coming in at once, and
12 they're saying, "Well, no, we'd rather have them
13 kind of piecemeal." So, you know, I've heard both
14 sides of this, and I don't think there is an
15 optimal way for these kind of issues to be
16 resolved, unless you can sort of be so insightful
17 and so -- such a great fortune teller that you can
18 solve all these problems in advance before they
19 even crop up.

20 **VICE CHAIRMAN WRIGHT:** Okay, thank you.

21 **CHAIRMAN HOWARD:** Commissioners?

22 [No response]

23 Office of Regulatory Staff. Ms. Hudson? Ms.
24 Edwards? I see Mr. Scott out there. I'll give him
25 a chance to speak if he wants to. Do you all have

1 any questions or comments?

2 **MS. HUDSON:** Mr. Chairman, I do not think we
3 have any questions. Thank you.


4 **CHAIRMAN HOWARD:** Thank you, very much, Mr.
5 Wilson. Thank you, very much, Mr. Holman. Thank
6 you all very much for coming. You can tell by the
7 questions your presentation was quite interesting.
8 Thank you very much, and this hearing is adjourned
9 and everyone have a happy holiday. Thank you.

10 [WHEREUPON, at 12:10 p.m., the
11 proceedings in the above-entitled matter
12 were adjourned.]


C E R T I F I C A T E

I, Jo Elizabeth M. Wheat, CVR-CM-GNSC, do hereby certify that the foregoing is, to the best of my skill and ability, a true and correct transcript of all the proceedings had in an allowable ex parte briefing held in the above-captioned matter before the Public Service Commission of South Carolina.

Given under my hand, this the 27th day of December, 2011.


Jo Elizabeth M. Wheat, CVR-CM-GNSC

ATTEST:


Jocelyn G. Boyd,
CHIEF CLERK/ADMINISTRATOR